

County of Presque Isle, Michigan

Basic Financial Statements

**For the Six Months Ended
June 30, 2008**

COUNTY OF PRESQUE ISLE, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	ALLAN H. BRUDER
COMMISSIONER	MICHAEL A. DARGA
COMMISSIONER	STEPHEN LANG
COMMISSIONER	ROBERT SCHELL
COMMISSIONER	CARL ALTMAN

ELECTED OFFICIALS

COUNTY TREASURER	PATRICIA J. CORNETT
COUNTY CLERK	SUSAN M. RHODE

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REQUIRED SUPPLEMENTARY INFORMATION:

Major Funds:

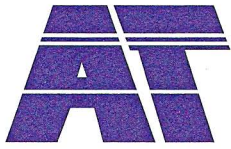
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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
County of Presque Isle, Michigan
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of the County of Presque Isle, Michigan as of and for the six months ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

As described in Note 1, the financial statements do not include the 2007 component unit financial statements of the Presque Isle County Road Commission which represents 99% of the assets and revenues of all component units of Presque Isle County, in accordance with governmental generally accepted accounting principles.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the County of Presque Isle, Michigan as of the six months ended June 30, 2008, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of omitting the component unit as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the County of Presque Isle, Michigan as of the six months ended June 30, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the County of Presque Isle, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2008 on our consideration of the County of Presque Isle, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis has not been presented which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Presque Isle, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Anderson, Tackman & Company, PLC
Certified Public Accountants

October 2, 2008

Basic Financial Statements

County of Presque Isle, Michigan

Statement of Net Assets

June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Totals	Unit
	Activities	Activities		
ASSETS:				
<i>Current Assets:</i>				
Cash & Investments	\$ 3,329,518	\$ 1,353,262	\$ 4,682,780	\$ 31,082
Receivables:				
Taxes	-	1,142,016	1,142,016	-
Interest	-	140,427	140,427	-
Notes	-	-	-	103,452
Loans	100,767	-	100,767	-
Due from Governmental Units	109,689	55,370	165,059	-
<i>Non-current Assets:</i>				
Capital Assets (Net of Accumulated Depreciation)	2,810,842	2,031,211	4,842,053	74,558
TOTAL ASSETS	\$ 6,350,816	\$ 4,722,286	\$ 11,073,102	\$ 209,092
LIABILITIES:				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 188,700	\$ 15,279	\$ 203,979	\$ -
Accrued Liabilities	53,633	-	53,633	-
Due to Governmental Units	-	76,566	76,566	-
Notes Payable	-	1,050,000	1,050,000	-
<i>Non-current Liabilities:</i>				
Compensated Absences	4,060	-	4,060	-
TOTAL LIABILITIES	246,393	1,141,845	1,388,238	-
NET ASSETS:				
Invested in Capital Assets (net of related debt)	2,810,842	2,031,211	4,842,053	74,558
Restricted for Special Projects	1,383,717	-	1,383,717	-
Unrestricted	1,909,864	1,549,230	3,459,094	134,534
TOTAL NET ASSETS	\$ 6,104,423	\$ 3,580,441	\$ 9,684,864	\$ 209,092

County of Presque Isle, Michigan

Statement of Activities For the Six Months Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 47,135	\$ -	\$ -	\$ -	\$ (47,135)	\$ -	\$ (47,135)	\$ -
Judicial	438,196	116,319	231,656	-	(90,221)	-	(90,221)	-
General Government	625,544	71,904	35,667	14,000	(503,973)	-	(503,973)	-
Public Safety	766,721	34,103	124,806	-	(607,812)	-	(607,812)	-
Health & Welfare	548,198	-	160,846	-	(387,352)	-	(387,352)	-
Community & Economic Development	189,754	34,344	107,925	-	(47,485)	-	(47,485)	-
Recreation & Culture	35,799	-	-	-	(35,799)	-	(35,799)	-
Other	586,803	-	-	-	(586,803)	-	(586,803)	-
Depreciation - Unallocated	2,454	-	-	-	(2,454)	-	(2,454)	-
Total Governmental Activities	3,240,604	256,670	660,900	14,000	(2,309,034)	-	(2,309,034)	-
Business-type activities:								
Airport	95,768	3,320	24,964	-	-	(67,484)	(67,484)	-
Tax Collection	102,084	157,529	-	-	-	55,445	55,445	-
Total Business-type Activities	197,852	160,849	24,964	-	-	(12,039)	(12,039)	-
Total Primary Government	\$ 3,438,456	\$ 417,519	\$ 685,864	\$ 14,000	(2,309,034)	(12,039)	(2,321,073)	-
Component Unit:								
Economic Development	\$ 454	\$ 2,532	\$ -	\$ -				2,078
General Revenues:								
Taxes					543,964	-	543,964	-
Other					167,726	76,115	243,841	-
Interest Income					64,398	19,941	84,339	438
Loss on disposals					(6,985)	-	(6,985)	-
Transfers					50,000	(50,000)	-	-
Total General Revenues and Transfers					819,103	46,056	865,159	438
Changes in Net Assets					(1,489,931)	34,017	(1,455,914)	2,516
Net Assets - Beginning					7,594,354	3,546,424	11,140,778	206,576
Net Assets - Ending					\$ 6,104,423	\$ 3,580,441	\$ 9,684,864	\$ 209,092

County of Presque Isle, Michigan

Balance Sheet Governmental Funds June 30, 2008

	General	Revenue Sharing Reserve	S.R.O.- H.U.N.T.	Senior Citizens	Emergency Services	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:							
Cash & Investments	\$ 1,054,097	\$ 1,383,717	\$ 69,459	\$ 56,577	\$ 129,608	\$ 635,749	\$ 3,329,207
Receivables:							
Loans	-	-	-	-	69,000	31,767	100,767
Due from Governmental Units	55,562	-	-	-	-	54,127	109,689
TOTAL ASSETS	\$ 1,109,659	\$ 1,383,717	\$ 69,459	\$ 56,577	\$ 198,608	\$ 721,643	\$ 3,539,663
LIABILITIES:							
Accounts Payable	\$ 66,162	\$ -	\$ 7,039	\$ 27,538	\$ -	\$ 86,731	\$ 187,470
Accrued Liabilities	44,880	-	2,191	-	-	6,562	53,633
Deferred Revenue	-	-	-	-	69,000	31,767	100,767
TOTAL LIABILITIES	111,042	-	9,230	27,538	69,000	125,060	341,870
FUND BALANCES:							
Reserved	-	1,383,717	-	-	-	-	1,383,717
Unreserved:							
Designated for Special Purposes	-	-	-	29,039	-	596,583	625,622
Undesignated	998,617	-	60,229	-	129,608	-	1,188,454
TOTAL FUND BALANCES	998,617	1,383,717	60,229	29,039	129,608	596,583	3,197,793
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,109,659	\$ 1,383,717	\$ 69,459	\$ 56,577	\$ 198,608	\$ 721,643	
Reconciliation to amounts reported for governmental activities in the statement of net assets:							
Capital assets used by governmental activities							2,791,374
Compensated absences liability							(4,060)
Other long-term assets not available to pay current expenditures and therefore deferred in the funds							100,767
Internal service funds included in governmental activities							18,549
Net assets of governmental activities							\$ 6,104,423

County of Presque Isle, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Six Months Ended June 30, 2008

	General	Revenue Sharing Reserve	S.R.O.- H.U.N.T.	Senior Citizens	Emergency Services	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:							
Taxes	\$ 58,413	\$ -	\$ 149,770	\$ 335,781	\$ -	\$ -	\$ 543,964
Licenses & Permits	3,289	-	-	-	-	-	3,289
Federal Sources	-	-	-	101,668	-	70,120	171,788
State Sources	278,122	-	-	-	-	224,990	503,112
Local Sources	-	-	-	-	25,000	30,540	55,540
Charges for Services	206,470	-	-	-	-	40,144	246,614
Interest Income	26,828	30,784	163	45	1,379	5,164	64,363
Fines and Forfeitures	5,152	-	-	-	-	5,230	10,382
Other Revenue	61,524	-	-	-	-	40,280	101,804
TOTAL REVENUES	639,798	30,784	149,933	437,494	26,379	416,468	1,700,856
EXPENDITURES:							
Legislative	47,135	-	-	-	-	-	47,135
Judicial	357,861	-	-	-	-	79,581	437,442
General Government	518,165	-	-	-	-	80,105	598,270
Public Safety	553,292	-	82,252	-	-	94,060	729,604
Health & Welfare	19,615	-	-	422,813	-	105,282	547,710
Community & Economic Development	-	-	-	-	-	189,754	189,754
Recreation & Cultural	-	-	-	-	-	18,017	18,017
Capital Outlay	210,533	-	-	-	-	80,212	290,745
Debt Service	-	-	-	-	-	12,980	12,980
Other Expenditures	677,657	-	-	-	-	8,681	686,338
TOTAL EXPENDITURES	2,384,258	-	82,252	422,813	-	668,672	3,557,995
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,744,460)	30,784	67,681	14,681	26,379	(252,204)	(1,857,139)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	868,857	-	-	-	-	323,476	1,192,333
Operating Transfers Out	(275,976)	(868,750)	-	-	-	(2,607)	(1,147,333)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(1,151,579)	(837,966)	67,681	14,681	26,379	68,665	(1,812,139)
FUND BALANCES, JANUARY 1	2,150,196	2,221,683	(7,452)	14,358	103,229	527,918	5,009,932
FUND BALANCES, JUNE 30	\$ 998,617	\$ 1,383,717	\$ 60,229	\$ 29,039	\$ 129,608	\$ 596,583	\$ 3,197,793

See accompanying notes to financial statements.

County of Presque Isle, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Six Months Ended June 30, 2008

Net Changes in fund balances - total governmental funds	\$ (1,812,139)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$403,260) exceeded depreciation (\$74,826) and loss on disposal (\$6,985) in the current period.

321,449

Deferred Revenues recognized as earned income.

6,768

Internal Service Activity

<u>(6,009)</u>

Changes in net assets of governmental activities

<u>\$ (1,489,931)</u>

Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business - type Activities			Governmental Activities
	Enterprise Funds			
	Tax Collections	Airport	Total Business-Type	Internal Service Fund
ASSETS:				
Cash & Investments	\$ 1,319,755	\$ 33,507	\$ 1,353,262	\$ 311
Taxes Receivable	1,142,016	-	1,142,016	-
Due from Other Funds	102,000	-	102,000	-
Accrued Interest Receivable	140,427	-	140,427	-
Due from Other Governmental Units	55,370	-	55,370	-
Capital Assets, net of accumulated depreciation	-	2,031,211	2,031,211	19,468
TOTAL ASSETS	<u><u>\$ 2,759,568</u></u>	<u><u>\$ 2,064,718</u></u>	<u><u>\$ 4,824,286</u></u>	<u><u>\$ 19,779</u></u>
LIABILITIES:				
Accounts Payable	\$ -	\$ 15,279	\$ 15,279	\$ 1,230
Due to Other Governmental Units	76,566	-	76,566	-
Due to Other Funds	102,000	-	102,000	-
Notes Payable	1,050,000	-	1,050,000	-
TOTAL LIABILITIES	<u><u>1,228,566</u></u>	<u><u>15,279</u></u>	<u><u>1,243,845</u></u>	<u><u>1,230</u></u>
NET ASSETS:				
Invested in Capital Assets (net of related debt)	-	2,031,211	2,031,211	19,468
Unrestricted	1,531,002	18,228	1,549,230	(919)
TOTAL NET ASSETS	<u><u>\$ 1,531,002</u></u>	<u><u>\$ 2,049,439</u></u>	<u><u>\$ 3,580,441</u></u>	<u><u>\$ 18,549</u></u>

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
For the Six Months Ended June 30, 2008**

	Business - type Activities		Governmental Activities
	Enterprise Funds		
	Tax Collections	Airport	Total Business- Type
			Internal Service Fund
OPERATING REVENUES:			
State Sources	\$ -	\$ 24,964	\$ 24,964
Local Sources	-	-	-
Charges for Services	157,529	3,320	160,849
Interest & Rentals	75,988	-	75,988
Other Revenue	127	-	127
Total Operating Revenues	233,644	28,284	261,928
OPERATING EXPENSES:			
Personal Services	-	3,005	3,005
Utilities	-	7,105	7,105
Depreciation	-	55,701	55,701
Repairs and Maintenance	-	12,265	12,265
Other Supplies and Expenses	-	195	195
Professional and Contractual Services	-	12,473	12,473
General and Administrative	95,893	5,024	100,917
Total Operating Expenses	95,893	95,768	191,661
OPERATING INCOME (LOSS)	137,751	(67,484)	70,267
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	19,931	10	19,941
Interest Expense	(6,191)	-	(6,191)
Total Non-operating Revenues (Expenses)	13,740	10	13,750
Income (loss) before transfers	151,491	(67,474)	84,017
Operating Transfers In	4,973	20,000	24,973
Operating Transfers Out	(74,973)	-	(74,973)
CHANGES IN NET ASSETS	81,491	(47,474)	34,017
NET ASSETS, JANUARY 1	1,449,511	2,096,913	3,546,424
NET ASSETS, JUNE 30	\$ 1,531,002	\$ 2,049,439	\$ 3,580,441

Statement of Cash Flows
Proprietary Fund Types
For the Six Months Ended June 30, 2008

	Business - Type Activities		Governmental Activities
	Enterprise Funds		Internal Service Fund
	Tax Collections	Airport	Total Business-Type
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 1,235,665	\$ 28,284	\$ 1,263,949
Payments to Suppliers	(1,705,571)	(25,476)	(1,731,047)
Payments to Employees	-	(3,005)	(3,005)
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(469,906)</u>	<u>(197)</u>	<u>(470,103)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Operating transfers in	4,973	20,000	24,973
Operating transfers out	(74,973)	-	(74,973)
<i>Net Cash Provided (Used) by Noncapital and Related Financing Activities</i>	<u>(70,000)</u>	<u>20,000</u>	<u>(50,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from notes	1,050,000	-	1,050,000
Purchase of capital assets	-	-	-
Interest payments	(6,191)	-	(6,191)
Principal payments	(515,000)	-	(515,000)
<i>Net Cash Provided (Used) by Capital and Related Financing Activities</i>	<u>528,809</u>	<u>-</u>	<u>528,809</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	19,931	10	19,941
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>19,931</u>	<u>10</u>	<u>19,941</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,834	19,813	28,647
Balances - Beginning of the Year	1,310,921	13,694	1,324,615
Balances - End of the Year	<u>\$ 1,319,755</u>	<u>\$ 33,507</u>	<u>\$ 1,353,262</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 137,751	\$ (67,484)	\$ 70,267
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	55,701	55,701
Change in Assets and Liabilities:			
(Increase)Decrease in Assets:			
Taxes Receivable	(582,343)	-	(582,343)
Accrued Interest Receivable	(72,270)	-	(72,270)
Due from Other Governmental Units	(19,995)	-	(19,995)
Due from Other Funds	(102,000)	-	(102,000)
Increase(Decrease) in Liabilities:			
Due to Other Funds	102,000	-	102,000
Accounts Payable	-	11,586	11,586
Due to Other Governmental Units	66,951	-	66,951
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ (469,906)</u>	<u>\$ (197)</u>	<u>\$ (470,103)</u>

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Employee Retirement	Agency Funds
ASSETS:		
Cash & Investments		
Unrestricted	\$ 36,109	\$ 101,836
 TOTAL ASSETS	 <u>\$ 36,109</u>	 <u>\$ 101,836</u>
 LIABILITIES:		
Due to Other Governmental Units	\$ -	\$ 5,590
Undistributed Tax Collections	-	2,467
Undistributed Receipts	<u>-</u>	<u>93,779</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>\$ 101,836</u>
 NET ASSETS:		
Held in Trust for Other Purposes	<u>\$ 36,109</u>	

**Statement of Changes in
Fiduciary Net Assets
Fiduciary Fund
For the Six Months Ended June 30, 2008**

	<u>Private Purpose Employee Retirement</u>
ADDITIONS:	
Contributions:	
Employer & Employee	<u>\$ 136,266</u>
Total Contributions	<u>136,266</u>
DEDUCTIONS:	
Benefits	<u>105,602</u>
Total Deductions	<u>105,602</u>
Changes in Net Assets	30,664
Net Assets, Beginning of the Year	<u>5,445</u>
Net Assets, End of the Year	<u><u>\$ 36,109</u></u>

Component Unit

Statement of Net Assets
Component Unit
June 30, 2008

	<u>Economic Development Corporation</u>
ASSETS:	
Cash & Equivalents - Unrestricted	\$ 31,082
Notes Receivable	103,452
Capital Assets (net)	<u> 74,558</u>
 TOTAL ASSETS	 <u><u>\$ 209,092</u></u>
 NET ASSETS:	
Invested in Capital Assets	\$ 74,558
Unrestricted	<u> 134,534</u>
 TOTAL NET ASSETS	 <u> 209,092</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 209,092</u></u>

County of Presque Isle, Michigan

Statement of Activities Component Unit For the Six Months Ended June 30, 2008

Functions/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Economic Development Corporation					
Community/Economic Development	\$ 454	\$ 2,532	\$ -	\$ -	\$ 2,078
Total Component Unit	<u>\$ 454</u>	<u>\$ 2,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,078</u>
General Revenues:					
Interest Income					<u>438</u>
Total General Revenues					<u>438</u>
Changes in Net Assets					2,516
Net Assets - Beginning					<u>206,576</u>
Net Assets - Ending					<u>\$ 209,092</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Presque Isle, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity

Presque Isle County was established under the authority granted by the Constitution and the State of Michigan. The County is governed by an elected Board of Commissioners consisting of five members. The County provides services to its residents in many areas including law enforcement, fire protection, community enrichment and development, and human services.

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 provide criteria for determining the reporting entity. The criteria was established for various governmental organizations to be included in the reporting entity's financial statement based on legal separation, oversight, financial accountability, and fiscal dependency.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units**County Development Commission:**

The financial statements include the financial data of the Presque Isle County Development Commission ("Development Commission"). The Development Commission is an entity legally separate from the County, organized under the authority of Public Act 46 of 1966. It is governed by a Board appointed by the County Commission and is fiscally dependent of the County. Its primary purpose is to promote economic development within the County of Presque Isle. As such, it is reported as a Special Revenue Fund of the County; that is, a blended component unit.

Discretely Presented Component Units**Road Commission:**

The basic financial statements do not include the financial data of the County's component unit, the Presque Isle County Road Commission (the "Road Commission"). This unit would be reported in a separate column to emphasize that it is legally separate from the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County appoints a majority of the members of the governing board of the Road Commission. The County also has the ability to significantly influence the operations of the Road Commission and must approve bonded debt. A complete financial statement of the Road Commission can be obtained from the Presque Isle County Road Commission, 657 S. Bradley Highway, Rogers City, Michigan, 49779. The Road Commission fiscal year end is December 31st.

Economic Development Corporation of Presque Isle County (EDCPIC):

The EDCPIC was created on June 29, 2000 pursuant to the provisions of the Economic Development Corporations Act, Act No. 338, Public Acts of 1974, as amended. The EDCPIC is an entity legally separate from the County. It is governed by a Board appointed by the County Commission and is fiscally independent of the County. Its primary purpose is to promote economic development within the County of Presque Isle.

Multi-County Agencies

The County participates jointly in the operation of the District Health Department #4 with Alpena, Cheboygan, and Montmorency Counties. All financial operations of the District Health Department are recorded in Alpena County. The funding formula requires the County to provide approximately 57% of the budget appropriations requirement, which amounted to \$47,243 for the six months ended June 30, 2008.

The County participates jointly in the operation of the Northeast Michigan Community Mental Health Authority with Alpena, Alcona, and Montmorency Counties. All financial operations of the Authority are recorded in Alpena County. The funding formula requires the County to provide approximately 24% of the budget appropriation requirement, which amounted to \$21,800 for the six months ended June 30, 2008.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The County first utilizes restricted resources to finance qualifying activities.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Fiscal Year – Effective January 1, 2008, the County changed its fiscal year end to June 30th as allowed by state statute. Therefore, this report contains information only for the six months ended June 30, 2008.

Taxes Receivable – Current or Property Taxes

The County of Presque Isle property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Presque Isle as of the preceding December 31st.

Although the County of Presque Isle 2007 ad valorem tax is levied and collectible on December 1, 2007, and 2008 ad valorem tax is levied and collectible on July 1, 2008, it is the County of Presque Isle's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2007 taxable valuation of the County of Presque Isle totaled \$613,602,354, on which ad valorem taxes levied of .2436 mills for H.U.N.T. and .4945 for Senior Citizens. These amounts are recognized in the respective Special Revenue Funds financial statements as revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The July 1, 2007 taxable valuation of the County of Presque Isle totaled \$613,602,354, on which ad valorem taxes levied consisted of 5.7400 mills for the General Fund, this amount is recognized in the General Fund.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

S.R.O. – H.U.N.T.

This fund accounts for the collection of the tax millage for the School Resource Officer and Huron Undercover Narcotics Team.

Senior Citizens

This fund accounts for the operation of the senior citizen program.

Emergency Services

This fund accounts for loans to various townships in the County for emergency services equipment.

The County reports the following major proprietary funds:

Tax Collection Fund

This fund accounts for property tax administration within the County.

Airport Fund

This fund accounts for airport operations that provide services to citizens, financed primarily by user charges, or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the County reports the following fund types:

Internal Service Fund

This fund accounts for purchases of data processing equipment for the various departments of the government.

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

Private Purpose Trust Fund

This fund accounts for fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D - Assets, Liabilities, and Net Assets or Equity**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Compensated Absences: - Under existing union contracts and County policies, all regular full-time employees are eligible for paid leave based on length of service. Vacation days must be used each year, prior to December 31st of that year. County employees are given (12) twelve days of sick time when hired. They may accumulate ½ day each month. Every January employees are paid 50% of any unused sick leave accumulated over the twelve days.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each June, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing July 1st and lapses on June 30th. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the period. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Investments -					
Unrestricted	\$ 3,283,764	\$ 1,353,262	\$ 4,637,026	\$ 137,945	\$ 31,082
Restricted	<u>45,754</u>	<u>-</u>	<u>45,754</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,329,518</u>	<u>\$ 1,353,262</u>	<u>\$ 4,682,780</u>	<u>\$ 137,945</u>	<u>\$ 31,082</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Public Money Market Funds	\$ 1,963,247	\$ -	\$ -
Bank Deposits (checking and savings accounts, certificates of deposit)	2,716,088	137,945	31,082
Petty Cash and Cash on Hand	<u>3,445</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,682,780</u>	<u>\$ 137,945</u>	<u>\$ 31,082</u>

Cash is restricted in the County Development Commission for future community development.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At year end, the County's Primary Government has the following investments at fair value:

	<u>Fair Value</u>	<u>Concentration</u>	<u>Rating</u>
Primary Government:			
Public Money Market Funds	\$ <u>1,963,247</u>	100%	A

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$3,371,091 of the County's bank balance of \$3,777,311 was exposed to credit risk because it was uninsured and uncollateralized.

Custodial investment credit risk. Custodial investment credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the County's \$1,963,247 in investments, \$1,963,247 is not in the name of the County, but in the name of the agent.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 748,100	\$ 298,532	\$ -	\$ 1,046,632
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	2,295,935	-	-	2,295,935
Machinery and equipment	<u>1,183,565</u>	<u>108,637</u>	<u>(24,300)</u>	<u>1,267,902</u>
Subtotal	<u>3,479,500</u>	<u>108,637</u>	<u>(24,300)</u>	<u>3,563,837</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Building Improvements	(940,168)	(36,281)	-	(976,449)
Machinery and equipment	<u>(796,328)</u>	<u>(44,166)</u>	<u>17,316</u>	<u>(823,178)</u>
Subtotal	<u>(1,736,496)</u>	<u>(80,447)</u>	<u>17,316</u>	<u>(1,799,627)</u>
Net Capital Assets Being Depreciated	<u>1,743,004</u>	<u>28,190</u>	<u>(6,984)</u>	<u>1,764,210</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 2,491,104</u>	<u>\$ 326,722</u>	<u>\$ (6,984)</u>	<u>\$ 2,810,842</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 523,700	\$ -	\$ -	\$ 523,700
<i>Capital assets being depreciated:</i>				
Land and improvements	1,990,950	-	-	1,990,950
Building and Building Improvements	45,000	-	-	45,000
Equipment	162,000	-	-	162,000
Subtotal	2,197,950	-	-	2,197,950
<i>Less accumulated depreciation for:</i>				
Land and improvements	(553,388)	(49,774)	-	(603,162)
Buildings and Building Improvements	(27,350)	(527)	-	(27,877)
Equipment	(54,000)	(5,400)	-	(59,400)
Subtotal	(634,738)	(55,701)	-	(690,439)
Net Capital Assets Being Depreciated	1,563,212	(55,701)	-	1,507,511
Business-type Activities Capital Assets, Net of Depreciation	\$ 2,086,912	\$ (55,701)	\$ -	\$ 2,031,211

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Judicial	\$ 754
General Government	16,231
Public Safety	37,117
Health and Welfare	488
Park and Recreation	17,782
Unallocated	8,075
Total Governmental Activities	\$ 80,447
Business Activities:	
Airport	\$ 55,701

The following is a summary of changes for the Economic Development Corporation of Presque Isle County:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 74,558	\$ -	\$ -	\$ 74,558

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets for governmental funds and proprietary funds.

		DUE TO OTHER FUNDS	
DUE FROM OTHER FUNDS		Tax Collection	
	Tax Collection	\$ 102,000	
	Total	\$ 102,000	

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS OUT						
TRANSFERS IN		General Fund	Revenue Sharing Reserve	Tax Collections	All Others	Total
	General Fund	\$ -	\$ 868,750	\$ -	\$ 107	\$ 868,857
	Tax Collections	-	-	4,973	-	4,973
	Airport	-	-	20,000	-	20,000
	All Other	<u>275,976</u>	<u>-</u>	<u>50,000</u>	<u>2,500</u>	<u>328,476</u>
	Total	<u>\$ 275,976</u>	<u>\$ 868,750</u>	<u>\$ 74,973</u>	<u>\$ 2,607</u>	<u>\$ 1,222,306</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

NOTE 6 - LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities							
Tax Anticipation Notes:							
2007 Tax Notes Series	variable*	2008	\$ 515,000	\$ -	\$ (515,000)	\$ -	\$ -
2008 Tax Notes Series	variable*	2009	<u>-</u>	<u>1,050,000</u>	<u>-</u>	<u>1,050,000</u>	<u>1,050,000</u>
Total Business-Type Activities			<u>\$ 515,000</u>	<u>\$ 1,050,000</u>	<u>\$ (515,000)</u>	<u>\$ 1,050,000</u>	<u>\$ 1,050,000</u>

* Interest payments vary according to payment dates and interest rates.

A summary of vested benefits payable at June 30, 2008 is as follows:

Sick Leave, January 1, 2008	\$ 4,060
Increases	<u>- (net)</u>
Sick Leave, June 30, 2008	<u>\$ 4,060</u>

NOTE 7 - RISK MANAGEMENT

The County of Presque Isle signed the Michigan Township Participating Plan, which is a risk management program that will lessen or prevent the incidence or severity of casualty losses in the operations of its members. The programs are subject to change in the future. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The County is unable to provide an estimate of the amounts of any potential additional assessments.

NOTE 8 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at June 30, 2008.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMSDescription of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2007.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll for the six months ended June 30, 2008 is as follows:

Courthouse Employees	9.79%
Sheriff Department	7.31%
Jail	8.68%
Elected and Appointed Officials	11.10%
Commissioners	-0-%

Annual Pension Cost

During the six months ended June 30, 2008, the County's contributions totaling \$101,352 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2006. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31, follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial Value of Assets	\$ 6,038,316	\$ 6,527,053	\$ 7,012,022
Actuarial Accrued Liability	7,077,866	7,610,975	8,118,333
Unfunded AAL	1,039,550	1,083,922	1,106,311
Funded Ratio	85%	86%	86%
Covered Payroll	1,978,875	1,993,029	2,093,469
UAAL as a Percentage of Covered Payroll	53%	54%	53%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 178,282	100%	0
2006	180,413	100%	0
2007	189,253	100%	0

NOTE 10 - RELATED PARTIES

The County conducts business with various local financial institutions as the County's depositories. Specifically, Huron National Bank and Citizen's National Bank hold deposits of the County, which at the six months ended amounted to \$1,922,320 and \$972,589, respectively. Several County Commissioners and the County Treasurer are stockholders in Huron National Bank. Additionally, some County Commissioners own stock in Citizen's National Bank.

NOTE 11 - NOTES RECEIVABLE

The following is a summary of the notes receivable:

	<u>Balance 01/01/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/08</u>
Economic Development	\$ 83,901	\$ 34,000	\$ 14,449	\$ 103,452

NOTE 12 - DEFICIT FUND EQUITY BALANCES

A fund equity deficit existed in the following funds as indicated:

USDA	\$ 180
Building and Zoning	1,574

The County plans to recover these deficits with transfers from the general fund.

NOTE 13 - FUND EQUITY DESIGNATIONS/RESERVATIONS

Fund equity designations can be described as follows:

Special Revenue	\$ 592,735	Designated for Fund Purpose
Capital Projects	27,007	Designated for Capital Projects
Debt Service	5,880	Designated for Debt Service

Fund equity reservations are described as follows:

Revenue Sharing Reserve	\$ 1,383,717	Reserved for Revenue Sharing
-------------------------	--------------	------------------------------

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Six Months Ended June 30, 2008

				Variance with Final Budget - Positive (Negative)
Budgeted Amounts				
	Original	Final	Actual Amounts	
REVENUES:				
Taxes	\$ 202,177	\$ 201,953	\$ 58,413	\$ (143,540)
Licenses & Permits	1,350	1,081	3,289	2,208
State Sources	238,856	223,866	278,122	54,256
Charges for Services	214,715	189,437	206,470	17,033
Interest Income	26,300	21,120	26,828	5,708
Fines & Forfeitures	9,000	5,153	5,152	(1)
Other Revenue	73,049	34,530	61,524	26,994
TOTAL REVENUES	765,447	677,140	639,798	(37,342)
EXPENDITURES:				
Legislative:				
Board of Commissioners	47,824	47,135	47,135	-
Judicial:				
Circuit Court	84,700	79,023	79,023	-
Family Court	71,211	82,189	82,189	-
District Court	78,546	67,775	67,775	-
Jury Board	2,700	2,796	2,796	-
Probate Court	98,504	103,061	103,061	-
Circuit Court Probation	3,800	3,116	3,116	-
Negotiations	2,500	-	-	-
Public Guardian	13,500	19,901	19,901	-
Total Judicial	355,461	357,861	357,861	-
General Government:				
County Clerk	91,550	91,253	91,253	-
Equalization	58,800	62,411	62,411	-
Prosecuting Attorney	128,683	122,949	122,949	-
County Surveyor	23,567	19,848	19,848	-
Treasurer	47,450	53,954	53,954	-
Cooperative Extension	48,010	44,508	44,508	-
Buildings & Grounds	69,751	75,874	75,874	-
Register of Deeds	48,571	43,324	43,324	-
Plat Board	250	-	-	-
Drain Commissioner	5,970	4,044	4,044	-
Total General Government	522,602	518,165	518,165	-

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Six Months Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff/Marine/Snowmobile/Road	319,602	332,163	332,163	-
D.A.R.E.	17,045	12,377	12,377	-
Corrections - Jail	180,338	173,821	173,821	-
Emergency Services	5,160	4,954	4,954	-
Animal Control	31,130	29,977	29,977	-
Total Public Safety	553,275	553,292	553,292	-
Health & Welfare:				
Medical Examiner	12,100	9,963	9,963	-
Contagious Disease	500	-	-	-
Veterans Services	9,675	9,652	9,652	-
Total Health & Welfare	22,275	19,615	19,615	-
Other Expenditures:				
Health Insurance	299,000	292,091	292,091	-
Social Security	84,000	93,589	93,589	-
Retirement Benefits	93,354	101,352	101,352	-
Bonds and Insurance	40,100	86,466	86,466	-
Duplicating	7,710	6,793	6,793	-
Contingencies	(13,987)	-	-	-
Communications	13,500	16,430	16,430	-
Capital Outlay	210,000	210,533	210,533	-
Appropriations to Other Governmental Units	89,171	80,936	80,936	-
Total Other Expenditures	822,848	888,190	888,190	-
TOTAL EXPENDITURES	2,324,285	2,384,258	2,384,258	-
EXCESS OF REVENUES OVER EXPENDITURES	(1,558,838)	(1,707,118)	(1,744,460)	(37,342)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	268,750	268,750	868,857	600,107
Operating Transfers Out	(285,976)	(275,976)	(275,976)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (1,576,064)	\$ (1,714,344)	(1,151,579)	\$ 562,765
FUND BALANCE, JANUARY 1			2,150,196	
FUND BALANCE, JUNE 30			\$ 998,617	

Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve
For the Six Months Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest Income	\$ 51,750	\$ 51,750	\$ 30,784	\$ (20,966)
TOTAL REVENUES	51,750	51,750	30,784	(20,966)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(268,750)	(868,750)	(868,750)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (217,000)</u>	<u>\$ (817,000)</u>	(837,966)	<u>\$ (20,966)</u>
FUND BALANCE, JANUARY 1			<u>2,221,683</u>	
FUND BALANCE, JUNE 30			<u>\$ 1,383,717</u>	

County of Presque Isle, Michigan

Required Supplementary Information Budgetary Comparison Schedule S.R.O.-H.U.N.T. For the Six Months Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 149,474	\$ 149,474	\$ 149,770	\$ 296
Interest Income	2,500	2,500	163	(2,337)
TOTAL REVENUES	151,974	151,974	149,933	(2,041)
EXPENDITURES:				
Public Safety	81,796	82,252	82,252	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ 70,178	\$ 69,722	67,681	\$ (2,041)
FUND BALANCE, JANUARY 1			(7,452)	
FUND BALANCE, JUNE 30			\$ 60,229	

County of Presque Isle, Michigan

Required Supplementary Information Budgetary Comparison Schedule Senior Citizens For the Six Months Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 303,426	\$ 303,426	\$ 335,781	\$ 32,355
Federal Sources	21,705	21,705	101,668	79,963
Interest Income	200	200	45	(155)
TOTAL REVENUES	325,331	325,331	437,494	112,163
EXPENDITURES:				
Health and Welfare	346,837	422,813	422,813	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ (21,506)	\$ (97,482)	14,681	\$ 112,163
FUND BALANCE, JANUARY 1			14,358	
FUND BALANCE, JUNE 30			\$ 29,039	

County of Presque Isle, Michigan

Required Supplementary Information Budgetary Comparison Schedule Emergency Services For the Six Months Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local Sources	\$ -	\$ -	\$ 25,000	\$ 25,000
Interest Income	2,000	2,000	1,379	(621)
TOTAL REVENUES	2,000	2,000	26,379	24,379
EXPENDITURES:				
Public Safety	7,500	7,500	-	7,500
EXCESS OF REVENUES OVER EXPENDITURES	\$ (5,500)	\$ (5,500)	26,379	\$ 31,879
FUND BALANCE, JANUARY 1			103,229	
FUND BALANCE, JUNE 30			\$ 129,608	

Other Supplementary Information

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
ASSETS:									
Cash & Investments	\$ 3,611	\$ 5,560	\$ 1,734	\$ 153,019	\$ 81,596	\$ 10,325	\$ 24,695	\$ 6,032	\$ 634
Loans Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	17,171	-	3,805	13,095	-	-	-	-
TOTAL ASSETS	<u>\$ 3,611</u>	<u>\$ 22,731</u>	<u>\$ 1,734</u>	<u>\$ 156,824</u>	<u>\$ 94,691</u>	<u>\$ 10,325</u>	<u>\$ 24,695</u>	<u>\$ 6,032</u>	<u>\$ 634</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ 12,946	\$ 1,017	\$ 3,495	\$ 5,085	\$ 3,366	\$ -	\$ 2,681	\$ 815
Accrued Liabilities	-	-	-	3,554	1,615	-	-	-	1,393
Deferred Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>12,946</u>	<u>1,017</u>	<u>7,049</u>	<u>6,700</u>	<u>3,366</u>	<u>-</u>	<u>2,681</u>	<u>2,208</u>
FUND BALANCES:									
Unreserved:									
Designated	3,611	9,785	717	149,775	87,991	6,959	24,695	3,351	(1,574)
TOTAL FUND BALANCES	<u>3,611</u>	<u>9,785</u>	<u>717</u>	<u>149,775</u>	<u>87,991</u>	<u>6,959</u>	<u>24,695</u>	<u>3,351</u>	<u>(1,574)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,611</u>	<u>\$ 22,731</u>	<u>\$ 1,734</u>	<u>\$ 156,824</u>	<u>\$ 94,691</u>	<u>\$ 10,325</u>	<u>\$ 24,695</u>	<u>\$ 6,032</u>	<u>\$ 634</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	State Grants	U.S.D.A. Grant Fund	Children's Trust
ASSETS:									
Cash & Investments	\$ 71,370	\$ 45,754	\$ 768	\$ 20,338	\$ 8,925	\$ 778	\$ 43,669	\$ -	\$ 53
Loan Receivable	-	31,767	-	-	-	-	-	-	-
Due from Governmental Units	-	2,500	-	-	-	-	-	4,000	-
TOTAL ASSETS	<u>\$ 71,370</u>	<u>\$ 80,021</u>	<u>\$ 768</u>	<u>\$ 20,338</u>	<u>\$ 8,925</u>	<u>\$ 778</u>	<u>\$ 43,669</u>	<u>\$ 4,000</u>	<u>\$ 53</u>
LIABILITIES:									
Accounts Payable	\$ 32,625	\$ 3,394	\$ -	\$ 259	\$ 1,036	\$ -	\$ 3,750	\$ 4,180	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	31,767	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>32,625</u>	<u>35,161</u>	<u>-</u>	<u>259</u>	<u>1,036</u>	<u>-</u>	<u>3,750</u>	<u>4,180</u>	<u>-</u>
FUND BALANCES:									
Unreserved:									
Designated	38,745	44,860	768	20,079	7,889	778	39,919	(180)	53
TOTAL FUND BALANCES	<u>38,745</u>	<u>44,860</u>	<u>768</u>	<u>20,079</u>	<u>7,889</u>	<u>778</u>	<u>39,919</u>	<u>(180)</u>	<u>53</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 71,370</u>	<u>\$ 80,021</u>	<u>\$ 768</u>	<u>\$ 20,338</u>	<u>\$ 8,925</u>	<u>\$ 778</u>	<u>\$ 43,669</u>	<u>\$ 4,000</u>	<u>\$ 53</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds								
	County Housing Commission	Housing Commission "F" - State	Department of Human Services	Child Care	Veterans Trust	Jail Telephone Revenue	Capital Acquisitions	Courthouse Preservation	Ocqueoc Recreation
ASSETS:									
Cash & Investments	\$ -	\$ 6,220	\$ 22,181	\$ 41,231	\$ 894	\$ 19,057	\$ 9,668	\$ 20,556	\$ 4,194
Loan Receivable	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	13,556	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 6,220</u>	<u>\$ 22,181</u>	<u>\$ 54,787</u>	<u>\$ 894</u>	<u>\$ 19,057</u>	<u>\$ 9,668</u>	<u>\$ 20,556</u>	<u>\$ 4,194</u>
LIABILITIES:									
Accounts Payable	\$ -	\$ -	\$ -	\$ 9,797	\$ -	\$ -	\$ -	\$ -	\$ 2,285
Accrued Liabilities	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,285</u>
FUND BALANCES:									
Unreserved:									
Designated	-	6,220	22,181	44,990	894	19,057	9,668	20,556	1,909
TOTAL FUND BALANCES	<u>-</u>	<u>6,220</u>	<u>22,181</u>	<u>44,990</u>	<u>894</u>	<u>19,057</u>	<u>9,668</u>	<u>20,556</u>	<u>1,909</u>
	<u>\$ -</u>	<u>\$ 6,220</u>	<u>\$ 22,181</u>	<u>\$ 54,787</u>	<u>\$ 894</u>	<u>\$ 19,057</u>	<u>\$ 9,668</u>	<u>\$ 20,556</u>	<u>\$ 4,194</u>

County of Presque Isle, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Debt Service Fund	Capital Project Funds		
		County		
	Employee Termination	Park Construction	Courthouse Construction	Totals
ASSETS:				
Cash & Investments	\$ 5,880	\$ 26,696	\$ 311	\$ 635,749
Loan Receivable	-	-	-	31,767
Due from Governmental Units	-	-	-	54,127
TOTAL ASSETS	<u>\$ 5,880</u>	<u>\$ 26,696</u>	<u>\$ 311</u>	<u>\$ 721,643</u>
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 86,731
Accrued Liabilities	-	-	-	6,562
Deferred Revenue	-	-	-	31,767
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,060</u>
FUND BALANCES:				
Unreserved:				
Designated	5,880	26,696	311	596,583
TOTAL FUND BALANCES	<u>5,880</u>	<u>26,696</u>	<u>311</u>	<u>596,583</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,880</u>	<u>\$ 26,696</u>	<u>\$ 311</u>	<u>\$ 721,643</u>

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Six Months Ended June 30, 2008

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
REVENUES:									
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	17,171	-	55,616	79,948	-	5,121	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	6,369	-	-	-	21,858
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Interest Income	-	31	11	2,061	790	7	145	6	-
Other Revenue	-	631	-	24,557	-	-	-	-	-
TOTAL REVENUES	-	17,833	11	82,234	87,107	7	5,266	6	21,858
EXPENDITURES:									
Judicial	-	-	-	-	73,813	-	-	-	-
General Government	3	34,202	-	-	-	-	-	-	-
Public Safety	-	-	-	82,101	-	-	-	-	-
Health and Welfare	-	-	-	-	-	15,841	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-	41,938
Recreation and Culture	-	-	8,972	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	8,681	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3	34,202	8,972	82,101	73,813	15,841	-	8,681	41,938
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3)	(16,369)	(8,961)	133	13,294	(15,834)	5,266	(8,675)	(20,080)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	10,000	10,500	-	-	22,500	-	15,000	20,000
Operating Transfers Out	-	-	-	-	-	-	-	(2,500)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(3)	(6,369)	1,539	133	13,294	6,666	5,266	3,825	(80)
FUND BALANCES, JANUARY 1	3,614	16,154	(822)	149,642	74,697	293	19,429	(474)	(1,494)
FUND BALANCES, JUNE 30	\$ 3,611	\$ 9,785	\$ 717	\$ 149,775	\$ 87,991	\$ 6,959	\$ 24,695	\$ 3,351	\$ (1,574)

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Six Months Ended June 30, 2008

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	State Grants	U.S.D.A. Grant Fund	Children's Trust
REVENUES:									
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -
State Sources	-	2,500	-	1,456	-	-	-	4,000	-
Local Sources	19,507	4,151	-	2,114	2,500	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Interest Income	856	21	-	184	-	-	-	-	-
Other Revenue	-	-	-	180	-	-	-	-	-
TOTAL REVENUES	20,363	6,672	-	3,934	2,500	-	-	14,000	-
EXPENDITURES:									
Judicial	-	-	-	-	5,768	-	-	-	-
General Government	45,069	-	-	-	-	-	-	-	-
Public Safety	-	-	-	2,964	-	-	8,995	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	37,725	-	-	-	-	6,250	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	25,656	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	45,069	37,725	-	2,964	5,768	-	15,245	25,656	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,706)	(31,053)	-	970	(3,268)	-	(15,245)	(11,656)	-
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	29,500	-	2,000	6,500	-	55,000	11,476	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(24,706)	(1,553)	-	2,970	3,232	-	39,755	(180)	-
FUND BALANCES, JANUARY 1	63,451	46,413	768	17,109	4,657	778	164		53
FUND BALANCES, JUNE 30	\$ 38,745	\$ 44,860	\$ 768	\$ 20,079	\$ 7,889	\$ 778	\$ 39,919	\$ (180)	\$ 53

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Six Months Ended June 30, 2008

	Special Revenue Funds								
	County Housing Commission	Housing Commission "F" - State	Department of Human Services	Child Care	Veterans Trust	Jail Telephone Revenue	Capital Acquisitions	Courthouse Preservation	Ocqueoc Recreation
REVENUES:									
Federal Sources	\$ -	\$ 60,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	58,340	838	-	-	-	-
Local Sources	-	-	-	2,198	-	-	-	70	-
Charges for Services	-	5,719	-	-	-	6,198	-	-	-
Fines and Forfeitures	-	-	-	5,230	-	-	-	-	-
Interest Income	-	-	270	85	-	111	-	171	-
Other Revenue	-	-	80	9,982	-	-	-	-	4,850
TOTAL REVENUES	-	65,839	350	75,835	838	6,309	-	241	4,850
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	831	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	1,597	87,544	300	-	-	-	-
Community and Economic Development	-	103,841	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	6,125
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	53,556	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	103,841	1,597	87,544	300	831	53,556	-	6,125
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(38,002)	(1,247)	(11,709)	538	5,478	(53,556)	241	(1,275)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	-	62,500	-	-	62,500	2,500	-
Operating Transfers Out	(107)	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(107)	(38,002)	(1,247)	50,791	538	5,478	8,944	2,741	(1,275)
FUND BALANCES, JANUARY 1	107	44,222	23,428	(5,801)	356	13,579	724	17,815	3,184
FUND BALANCES, JUNE 30	\$ -	\$ 6,220	\$ 22,181	\$ 44,990	\$ 894	\$ 19,057	\$ 9,668	\$ 20,556	\$ 1,909

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Six Months Ended June 30, 2008

	Debt Service Fund	Capital Project Funds		
		County Park	Courthouse	
	Employee Termination	Construction	Construction	Totals
REVENUES:				
Federal Sources	\$ -	\$ -	\$ -	\$ 70,120
State Sources	-	-	-	224,990
Local Sources	-	-	-	30,540
Charges for Services	-	-	-	40,144
Fines and Forfeitures	-	-	-	5,230
Interest Income	10	405	-	5,164
Other Revenue	-	-	-	40,280
TOTAL REVENUES	10	405	-	416,468
EXPENDITURES:				
Judicial	-	-	-	79,581
General Government	-	-	-	80,105
Public Safety	-	-	-	94,060
Health and Welfare	-	-	-	105,282
Community and Economic Development	-	-	-	189,754
Recreation and Culture	-	2,920	-	18,017
Appropriations to Other Governmental Units	-	-	-	8,681
Capital Outlay	-	-	1,000	80,212
Debt Service	12,980	-	-	12,980
TOTAL EXPENDITURES	12,980	2,920	1,000	668,672
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,970)	(2,515)	(1,000)	(252,204)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	12,500	-	1,000	323,476
Operating Transfers Out	-	-	-	(2,607)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(470)	(2,515)	-	68,665
FUND BALANCES, JANUARY 1	6,350	29,211	311	527,918
FUND BALANCES, JUNE 30	\$ 5,880	\$ 26,696	\$ 311	\$ 596,583

County of Presque Isle, Michigan

Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund June 30, 2008

	Homestead Denial	2005 Tax Revolving	2006 Tax Revolving	2007 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
ASSETS:								
Cash & Investments	\$ 2,101	\$ 116,368	\$ 25,199	\$ 162,594	\$ 481,558	\$ 4,620	\$ 527,315	\$ 1,319,755
Taxes Receivable	-	2,986	142,670	988,219	8,141	-	-	1,142,016
Due from Other Funds	-	-	-	-	102,000	-	-	102,000
Accrued Interest Receivable	-	-	69,173	71,254	-	-	-	140,427
Due from Other Governmental Units	-	15,271	31,890	1,701	2,817	-	3,691	55,370
TOTAL ASSETS	<u>\$ 2,101</u>	<u>\$ 134,625</u>	<u>\$ 268,932</u>	<u>\$ 1,223,768</u>	<u>\$ 594,516</u>	<u>\$ 4,620</u>	<u>\$ 531,006</u>	<u>\$ 2,759,568</u>
LIABILITIES:								
Due to Other Governmental Units	\$ 2,101	\$ -	\$ -	\$ 69,125	\$ 5,340	\$ -	\$ -	\$ 76,566
Due to Other Funds	-	-	100,000	-	-	-	2,000	102,000
Notes Payable	-	-	-	1,050,000	-	-	-	1,050,000
TOTAL LIABILITIES	<u>2,101</u>	<u>-</u>	<u>100,000</u>	<u>1,119,125</u>	<u>5,340</u>	<u>-</u>	<u>2,000</u>	<u>1,228,566</u>
NET ASSETS:								
Unrestricted	-	134,625	168,932	104,643	589,176	4,620	529,006	1,531,002
TOTAL NET ASSETS	<u>-</u>	<u>134,625</u>	<u>168,932</u>	<u>104,643</u>	<u>589,176</u>	<u>4,620</u>	<u>529,006</u>	<u>1,531,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,101</u>	<u>\$ 134,625</u>	<u>\$ 268,932</u>	<u>\$ 1,223,768</u>	<u>\$ 594,516</u>	<u>\$ 4,620</u>	<u>\$ 531,006</u>	<u>\$ 2,759,568</u>

County of Presque Isle, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Major Tax Collection Enterprise Fund For the Six Months Ended June 30, 2008

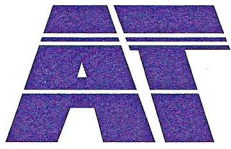
	Homestead Denial	2005 Tax Revolving	2006 Tax Revolving	2007 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
OPERATING REVENUES:								
Charges for Services	\$ -	\$ 1,444	\$ 12,698	\$ 93,033	\$ 9	\$ -	\$ 50,345	\$ 157,529
Interest Income	-	-	64,393	11,433	162	-	-	75,988
Other Revenue	-	-	-	-	127	-	-	127
TOTAL OPERATING REVENUES	-	1,444	77,091	104,466	298	-	50,345	233,644
OPERATING EXPENSES:								
General and Administrative	-	-	-	-	38,980	2,532	54,381	95,893
Total Operating Expenses	-	-	-	-	38,980	2,532	54,381	95,893
OPERATING INCOME (LOSS)	-	1,444	77,091	104,466	(38,682)	(2,532)	(4,036)	137,751
NON-OPERATING REVENUES (EXPENSES):								
Interest Income	-	13	53	177	8,489	-	11,199	19,931
Interest Expense	-	-	(6,191)	-	-	-	-	(6,191)
Total Non-operating Revenues (Expenses)	-	13	(6,138)	177	8,489	-	11,199	13,740
Income (loss) before transfers	-	1,457	70,953	104,643	(30,193)	(2,532)	7,163	151,491
Operating Transfers In	-	-	-	-	-	4,973	-	4,973
Operating Transfers Out	-	-	-	-	(74,973)	-	-	(74,973)
CHANGES IN NET ASSETS	-	1,457	70,953	104,643	(105,166)	2,441	7,163	81,491
NET ASSETS, JANUARY 1	-	133,168	97,979	-	694,342	2,179	521,843	1,449,511
NET ASSETS, JUNE 30	\$ -	\$ 134,625	\$ 168,932	\$ 104,643	\$ 589,176	\$ 4,620	\$ 529,006	\$ 1,531,002

County of Presque Isle, Michigan

Combining Statement of Cash Flows Major Tax Collection Enterprise Fund For the Six Months Ended June 30, 2008

	Homestead Denial	2005 Tax Revolving	2006 Tax Revolving	2007 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from Customers	\$ -	\$ 78,750	\$ 362,012	\$ 745,630	\$ 298	\$ -	\$ 48,975	\$ 1,235,665
Payments to Suppliers	-	-	-	(1,635,387)	(13,271)	(2,532)	(54,381)	(1,705,571)
Internal Activity - Payments/Receipts with Other Funds	-	-	100,000	-	(102,000)	-	2,000	-
<i>Net Cash Provided (Used) by Operating Activities</i>	-	78,750	462,012	(889,757)	(114,973)	(2,532)	(3,406)	(469,906)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Operating Transfers In	-	-	-	-	-	4,973	-	4,973
Operating Transfers Out	-	-	-	-	(74,973)	-	-	(74,973)
<i>Net Cash Provided (Used) by Noncapital Financing Activities</i>	-	-	-	-	(74,973)	4,973	-	(70,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:								
Proceeds from Notes	-	-	-	1,050,000	-	-	-	1,050,000
Interest Paid	-	-	(6,191)	-	-	-	-	(6,191)
Principal Payments	-	-	(515,000)	-	-	-	-	(515,000)
<i>Net Cash Provided (Used) by Capital Financing Activities</i>	-	-	(521,191)	1,050,000	-	-	-	528,809
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest Income	-	13	53	177	8,489	-	11,199	19,931
<i>Net Cash Provided (Used) by Investing Activities</i>	-	13	53	177	8,489	-	11,199	19,931
Net Increase (Decrease) in Cash and Cash Equivalents	-	78,763	(59,126)	160,420	(181,457)	2,441	7,793	8,834
Balances - Beginning of the Year	2,101	37,605	84,325	2,174	663,015	2,179	519,522	1,310,921
Balances - End of the Year	<u>\$ 2,101</u>	<u>\$ 116,368</u>	<u>\$ 25,199</u>	<u>\$ 162,594</u>	<u>\$ 481,558</u>	<u>\$ 4,620</u>	<u>\$ 527,315</u>	<u>\$ 1,319,755</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	\$ -	\$ 1,444	\$ 77,091	\$ 104,466	\$ (38,682)	\$ (2,532)	\$ (4,036)	\$ 137,751
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
(Increase)Decrease in Assets:								
Taxes Receivable	-	60,494	317,857	(988,219)	27,525	-	-	(582,343)
Accrued Interest Receivable	-	21,781	(22,797)	(71,254)	-	-	-	(72,270)
Due from Other Governmental Units	-	(4,969)	(10,139)	(1,701)	(1,816)	-	(1,370)	(19,995)
Due from Other Funds	-	-	-	-	(102,000)	-	-	(102,000)
Increase(Decrease) in Liabilities:								
Due to Other Governmental Units	-	-	-	66,951	-	-	-	66,951
Due to Other Funds	-	-	100,000	-	-	-	2,000	102,000
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ -</u>	<u>\$ 78,750</u>	<u>\$ 462,012</u>	<u>\$ (889,757)</u>	<u>\$ (114,973)</u>	<u>\$ (2,532)</u>	<u>\$ (3,406)</u>	<u>\$ (469,906)</u>

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of
The Board of Commissioners
Presque Isle County
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Presque Isle, Michigan, as of and for the six months ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 2, 2008. Our report was modified for the omission of a discretely presented component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Presque Isle Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Honorable Chairman and Members
of the Board of Commissioners
County of Presque Isle, Michigan

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in 08-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Presque Isle's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 08-1 and 08-3.

We noted certain matters that we reported to management of the County of Presque Isle, Michigan in a separate letter dated October 2, 2008.

The County of Presque Isle, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County of Presque Isle, Michigan's response and, accordingly, we express no opinion on it.

Honorable Chairman and Members
of the Board of Commissioners
County of Presque Isle, Michigan

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 2, 2008

NONCOMPLIANCE WITH STATE STATUTES

Fund Equity Deficit

Finding 08-1

Statement of Condition/Criteria: Public Act 275 requires that a deficit reduction plan be submitted to the State of Michigan within (90) days of the end of the fiscal year. As of June 30, 2008, the USDA and Building and Zoning Funds had immaterial accumulated fund equity deficits.

Effect: The County is not in compliance with Public Act 275.

Cause of Condition: Failure to implement a deficit reduction plan when required.

Recommendation: We recommend that the individual responsible for general ledger maintenance review the general ledger on a monthly basis to determine if any funds have a deficit fund equity and to implement a deficit reduction plan when required.

Management's Response – Corrective Action Plan: The deficits will be resolved by increasing appropriations from the General Fund.

SIGNIFICANT DEFICIENCIES

**Preparation of the Financial Statements in Accordance
with Generally Accepted Accounting Principles**

Finding 08-2

Specific Requirement: Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 112 requires management to prepare annual audit statements in accordance with GASB Statement Number 34. (Audit report format)

Criteria: Internal controls should be in place to provide reasonable assurance to the County that management reports financial statements (with GASB Statement number 34 formats) necessary to monitor and report annual financial activity without auditor intervention.

Condition: Auditor assists in preparation of financial statements and annual report in compliance with GASB 34.

Effect: The effect of this condition places a reliance on the independent auditor as part of the County's internal controls over financial reporting.

Cause: Change in application of auditing standards.

Recommendation: The County should consider subcontracting financial statement preparation activities to monitor and report annual financial activity in accordance with GASB Statement Number 34.

Planned Corrective Action: The County will consider preparing the financial statements internally, contracting this process or continuing to utilize the external auditors for reporting based on the results of a cost benefit analysis.

- Contact Person(s) Responsible for Correction:
Susan Rhode, County Clerk

NONCOMPLIANCE WITH STATE STATUTES

Revenue Sharing Reserve Distributions

Finding 08-3

Statement of Condition/Criteria: Public Act 357 of 2004 states that distributions from the revenue sharing reserve fund cannot exceed the calculated amount of state revenue sharing including an inflationary increase. As of June 30, 2008, the County transferred an amount in excess of the provisions of the Act by approximately \$600,000.

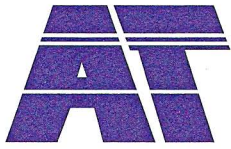
Effect: The County is not in compliance with Public Act 357.

Cause of Condition: Cash flow shortages during the fiscal year facilitated a transfer of funds.

Recommendation: The Act does allow advances from the revenue sharing reserve fund. The County should reclassify the excess distribution as an advance from the fund instead a transfer.

Management's Response – Corrective Action Plan: The County Treasurer will reclassify the appropriate amount and an advance from the revenue sharing reserve fund.

- Contact Person(s) Responsible for Correction:
Patricia Bauer, Treasurer



ANDERSON, TACKMAN & COMPANY, PLC
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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Chairman and Members
of the Board of Commissioners
County of Presque Isle, Michigan
Rogers City, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Presque Isle, Michigan for the year ended June 30, 2008, and have issued our report thereon dated October 2, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 21, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the County of Presque Isle. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Presque Isle's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 15, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Presque Isle, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 2, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Child Care Fund (Prior Comment)

The County's shared child care fund contains numerous expenditure account numbers to track various kinds of salaries/wages and care. Although the accounts appear to be sufficient, the coding of the expenditures to the accounts at the voucher level is very inconsistent. As a result, one cannot reasonably compare expenditure totals in each account from one year to another.

The County remains responsible to ensure that the Child Care Fund is fairly and accurately stated. To ensure a consistent accounting treatment of Child Care Fund expenditures, the County should use a uniform chart of accounts and uniform coding procedures for the Fund.

Status: The Clerk is currently working on this.

DARE Fund (Prior Comment)

The DARE fund bank account is not recorded on the County general ledger. All funds utilizing the County's federal identification number should be recorded in the general ledger and the County treasurer should be an authorized signer on the account.

Status: The DARE accountant will provide a report to the Treasurer on a regular basis.

Personal Property Taxes (Prior Comment)

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers, which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Status: Detail is maintained, however not recorded.

Form 1099's (Prior Comment)

It was noted that 1099's are recorded in the salary and wage line items. We recommend that only those paid with a W-2 be recorded in the salary and wage line items and those paid via 1099 be reported in a contractual services account in accordance with the Uniform Chart of Accounts (account number 801-831).

Status: No change.

Inmate Activity (Prior Comment)

During our review of the inmate activity, it was noted that the Sheriff's office maintains a bank account, which accounts for all activity of the County inmates. This bank account is not recorded on the County's general ledger. An enterprise fund, 'Sheriff Commissary Fund' should be established to account for the activity of the commissary. Also, a trust & agency fund should be established to account for the cash balance owed to the inmates. It is recommended that these funds be reconciled to the detailed report owed to inmates as well as the bank statement.

Status: No change.

County Development Commission (CDC) (Prior Comment)

The County loans money to various business around the County through the CDC. In order to improve controls over the repayments, the County should record loans receivable and deferred revenue on the general ledger of the County.

Status: Corrected.

Prosecutor Accounts

During 2006, the Prosecutor's office established two checking accounts without Board authorization. All bank accounts must be authorized by Board Resolution, list the County Treasurer as a signatory, and be recorded in the general ledger.

Status: The office will provide bank activity to the Treasurer and the Board will authorize accounts.

District Court Bond Account

The District Court Bond account is reconciled and posted each month, however it is not recorded on the County's general ledger. An Agency Fund should be established for this account in accordance with the State Chart of Accounts.

Conclusion

This information is intended solely for the use of the Finance Committee, Board of Commissioners and management of the County of Presque Isle and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 2, 2008